

Introduced by Senator Strickland
(Principal coauthor: Senator Wyland)
(Coauthors: Senators Anderson, Dutton, Gaines, La Malfa, Runner,
and Walters)
(Coauthors: Assembly Members Gorell, Jeffries, and Wagner)

March 15, 2011

Senate Constitutional Amendment No. 10—A resolution to propose to the people of the State of California an amendment to the Constitution of the State, by repealing and adding Article XIII B thereof, and by amending Section 8.5 of Article XVI thereof, relating to expenditure limits.

LEGISLATIVE COUNSEL'S DIGEST

SCA 10, as introduced, Strickland. Expenditure limit.

(1) Existing provisions of the California Constitution prohibit the annual appropriations subject to limitation, as defined, of any entity of state or local government from exceeding its adjusted annual appropriations limit. These provisions also require 50% of the excess revenues received by the state in a fiscal year and the fiscal year immediately following it to be transferred and allocated, from a fund established for that purpose, to the State School Fund, and the remaining 50% of those excess revenues to be returned by a revision of tax rates or fee schedules within the next 2 subsequent fiscal years.

This measure would repeal those provisions, and instead would limit total state General Fund and special fund expenditures to an annual increase that is based, as provided, on the percentage change in the cost of living and the percentage change in state population. The measure would require excess revenues to be allocated in prescribed amounts

to a reserve account, to the State School Fund, and to personal income taxpayers.

(2) Existing provisions of the California Constitution require that whenever the Legislature or any state agency mandates a new program or higher level of service on any local government, the state provide a subvention of funds to reimburse the local government for the costs of the program or increased level of service, with specified exceptions.

This measure would amend these provisions to, among other things, prohibit the filing of a claim for reimbursement for any mandate if no claim for that reimbursement is filed within a 2-year period following the effective date of the mandate.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

1 *Resolved by the Senate, the Assembly concurring,* That the
2 Legislature of the State of California at its 2011–12 Regular
3 Session commencing on the sixth day of December 2010,
4 two-thirds of the membership of each house concurring, hereby
5 proposes to the people of the State of California that the
6 Constitution of the State be amended as follows:

7 First—That Article XIII B thereof is repealed.

8 Second—That Article XIII B is added thereto, to read:

9

10 ARTICLE XIII B
11 EXPENDITURE LIMIT

12

13 SECTION 1. (a) (1) The total expenditures made in a fiscal
14 year from the General Fund of the State and state special funds
15 shall not exceed the expenditure limit for that fiscal year, computed
16 by multiplying the sum of one plus the percentage change in the
17 cost of living and the percentage change in the state population by
18 the total expenditures from the General Fund and state special
19 funds for the immediately preceding fiscal year. However, if the
20 total expenditures in the prior fiscal year are less than the amount
21 of the expenditure limit for that year, then the expenditure limit
22 for the next fiscal year may equal, but not exceed, the amount of
23 the expenditure limit for the prior fiscal year.

24 (2) As used in this section, “percentage change in the cost of
25 living,” as applied to determine the expenditure limit for a fiscal
26 year, means the percentage change from April 1 of the prior year

1 to April 1 of the current year in the California Consumer Price
2 Index for all items, as determined by the Department of Industrial
3 Relations or its successor. For purposes of this calculation, “current
4 year” means the calendar year in which the fiscal year commences.

5 (b) The expenditure limit in subdivision (a) may be exceeded
6 for a fiscal year in an emergency, but any such excess spending
7 shall not be part of the expenditure base for purposes of
8 determining the amount of the expenditure limit pursuant to
9 subdivision (a) for the next fiscal year. As used in this subdivision,
10 “emergency” means the existence, as declared by the Governor,
11 of conditions of disaster or of extreme peril to the safety of persons
12 and property within the State, or parts thereof, caused by such
13 conditions as attack or probable or imminent attack by an enemy
14 of the United States, fire, flood, drought, storm, civil disorder,
15 earthquake, or volcanic eruption.

16 (c) Any revenue that may not be expended in the current fiscal
17 year due to the expenditure limit in this section shall be allocated
18 as follows:

19 (1) To the Special Reserve Account, which is hereby created in
20 the General Fund of the State, to the extent that this account
21 contains an amount less than or equal to 10 percent of the amount
22 of the expenditure limit for the current fiscal year. Notwithstanding
23 any other provision of this section, money in the Special Reserve
24 Account may be expended in an amount equal to the amount by
25 which revenues reported by the Department of Finance as being
26 received by the State during the fiscal year fall below the final
27 revenue estimates for that fiscal year, as provided in the Final
28 Budget Summary published by the Department of Finance or its
29 successor document. Any funds expended from the Special Reserve
30 Account pursuant to this paragraph are part of the expenditure base
31 for the fiscal year in which the expenditure is made, for the
32 purposes of determining the expenditure limit pursuant to
33 subdivision (a) for the next fiscal year. Subject to the 10-percent
34 restriction set forth in this paragraph, any unexpended balance in
35 the reserve account, including any interest earnings, shall carry
36 over from one year to the next.

37 (2) Revenue that exceeds the amount that may be deposited into
38 the Special Reserve Account shall be allocated as follows:

39 (A) Fifty percent shall be transferred to a fund that is allocated
40 as provided in Section 8.5 of Article XVI.

1 (B) Fifty percent shall be paid as a rebate to all personal income
2 taxpayers in proportion to their tax liability for the tax year that
3 encompasses the first half of the current fiscal year in which the
4 excess exists.

5 (d) If the financial responsibility for providing services is
6 transferred, in whole or in part, from the state government to an
7 entity of local government, then the amount of the expenditure
8 limit in the year that the transfer is implemented shall be reduced
9 by an amount equal to the cost of providing the transferred services,
10 to prevent an effective increase in the level of allowable state
11 spending. For the purposes of this section, a transfer of financial
12 responsibility for providing services does not include any mandate
13 of a program or level of service for which reimbursement is
14 required by Section 3.

15 SEC. 2. (a) As used in Section 7.5 of Article IV, “the
16 percentage increase in the appropriations limit for the State
17 established pursuant to Article XIII B” means the percentage
18 change in California per capita personal income from the prior
19 year, plus (1) the percentage change in the State’s population
20 multiplied by the percentage of state expenditures in the prior fiscal
21 year made for other than educational purposes for kindergarten
22 and grades 1 to 12, inclusive, and the community colleges, and (2)
23 the percentage change in the total statewide average daily
24 attendance in kindergarten and grades 1 to 12, inclusive, and the
25 community colleges, multiplied by the percentage of state
26 expenditures in the prior fiscal year made for educational purposes
27 for kindergarten and grades 1 to 12, inclusive, and the community
28 colleges.

29 (b) As used in Section 8 of Article XVI, “change in the cost of
30 living pursuant to paragraph (1) of subdivision (e) of Section 8 of
31 Article XIII B” means the percentage change in California per
32 capita personal income from the prior year.

33 SEC. 3. (a) Whenever the Legislature or any state agency
34 mandates a new program or higher level of service on any local
35 government, the State shall provide a subvention of funds to
36 reimburse the local government for the costs of that program or
37 increased level of services, except that the Legislature may, but is
38 not required to, provide that subvention of funds for the following
39 mandates:

1 (1) A legislative mandate requested by the local government
2 affected.

3 (2) Legislation defining a new crime or changing an existing
4 definition of a crime.

5 (3) A legislative mandate enacted prior to January 1, 1975, or
6 an executive order or regulation initially implementing legislation
7 enacted prior to January 1, 1975.

8 (b) A claim may not be filed for reimbursement pursuant to
9 subdivision (a) for any mandate if more than two years have passed
10 since the effective date of the mandate and no claim for that
11 reimbursement was filed in that period.

12 (c) For the purposes of this section, “local government” means
13 a city, county, city and county, school district, special district,
14 authority, or other political subdivision of or within the State.

15 (d) (1) For any fiscal year for a mandate for which the costs of
16 a local government claimant have been determined in a preceding
17 fiscal year to be payable by the State pursuant to law, the
18 Legislature shall either appropriate, in the annual Budget Act, the
19 full payable amount that has not been previously paid, or suspend
20 the operation of the mandate for the fiscal year for which the annual
21 Budget Act is applicable in a manner prescribed by law.

22 (2) Payable claims for costs incurred prior to the 2004–05 fiscal
23 year that have not been paid prior to the 2005–06 fiscal year may
24 be paid over a term of years, as prescribed by law.

25 (3) This subdivision applies to a mandate only as it affects a
26 city, county, city and county, or special district.

27 (4) This subdivision shall not apply to a requirement to provide
28 or recognize any procedural or substantive protection, right, benefit,
29 or employment status of any local government employee or retiree,
30 or of any local government employee organization, that arises
31 from, affects, or directly relates to future, current, or past local
32 government employment and that constitutes a mandate subject
33 to this section.

34 (e) Ad valorem property tax revenues shall not be used to
35 reimburse a local government for the costs of a new program or
36 higher level of service.

37 Third—That Section 8.5 of Article XVI thereof is amended to
38 read:

39 SEC. 8.5. (a) In addition to the amount required to be applied
40 for the support of school districts and community college districts

pursuant to Section 8, the Controller shall during each fiscal year transfer and allocate all revenues available pursuant to *subparagraph (A) of paragraph 1 (2) of subdivision (a) (c) of Section 2-1 of Article XIII B* to that portion of the State School Fund restricted for elementary and high school purposes, and to that portion of the State School Fund restricted for community college purposes, respectively, in proportion to the enrollment in school districts and community college districts respectively.

(1) With respect to funds allocated to that portion of the State School Fund restricted for elementary and high school purposes, no transfer or allocation of funds pursuant to this section shall be required at any time that the Director of Finance and the Superintendent of Public Instruction mutually determine that current annual expenditures per student equal or exceed the average annual expenditure per student of the 10 states with the highest annual expenditures per student for elementary and high schools, and that average class size equals or is less than the average class size of the 10 states with the lowest class size for elementary and high schools.

(2) With respect to funds allocated to that portion of the State School Fund restricted for community college purposes, no transfer or allocation of funds pursuant to this section shall be required at any time that the Director of Finance and the Chancellor of the California Community Colleges mutually determine that current annual expenditures per student for community colleges in this State equal or exceed the average annual expenditure per student of the 10 states with the highest annual expenditures per student for community colleges.

~~(b) Notwithstanding the provisions of Article XIII B, funds allocated pursuant to this section shall not constitute appropriations subject to limitation.~~

~~(c)~~

(b) From any funds transferred to the State School Fund pursuant to subdivision (a), the Controller shall each year allocate to each school district and community college district an equal amount per enrollment in school districts from the amount in that portion of the State School Fund restricted for elementary and high school purposes and an equal amount per enrollment in community college districts from that portion of the State School Fund restricted for community college purposes.

- 1 ~~(d)~~
2 (c) All revenues allocated pursuant to subdivision (a) shall be
3 expended solely for the purposes of instructional improvement
4 and accountability as required by law.
5 ~~(e)~~
6 (d) Any school district maintaining an elementary or secondary
7 school shall develop and cause to be prepared an annual audit
8 accounting for ~~such~~ *those* funds and shall adopt a School
9 Accountability Report Card for each school.